



# YuanShengTai Dairy Farm Limited 原生态牧业有限公司

(Incorporated in Bermuda with limited liability)  
Stock Code : 1431

## 2017 INTERIM REPORT



# CONTENTS

<b>PAGE</b>	
<b>2</b>	Corporate Information
<b>3</b>	Management Discussion and Analysis
<b>12</b>	Corporate Governance and Other Information
<b>15</b>	Report on Review of Interim Condensed Consolidated Financial Statements
<b>16</b>	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>17</b>	Interim Condensed Consolidated Statement of Financial Position
<b>18</b>	Interim Condensed Consolidated Statement of Changes In Equity
<b>19</b>	Interim Condensed Consolidated Statement of Cash Flows
<b>20</b>	Notes to the Interim Condensed Consolidated Financial Statements

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhao Hongliang (趙洪亮) (*Chairman*)  
Mr. Wang Shaogang (王紹崗) (*Vice-chairman*)  
Mr. Fu Wenguo (付文國) (*Chief Executive Officer*)  
Mr. Chen Xiangqing (陳祥慶) (*Chief Financial Officer*)

### Non-executive Directors

Mr. Lau Ho Fung (劉浩峰)  
Mr. Sun Wei (孫瑋)  
(*resigned with effect from 23 January 2017*)

### Independent Non-executive Directors

Mr. Wu Chi Keung (胡志強)  
Mr. Zhang Yuezhou (張月周)  
Mr. Zhu Zhanbo (朱戰波)

### Joint Company Secretaries

Mr. Liu Gang (劉剛)  
Mr. Kwok Siu Man (郭兆文)  
(*resigned with effect from 5 April 2017*)

## AUTHORISED REPRESENTATIVES

Mr. Chen Xiangqing (陳祥慶)  
Mr. Liu Gang (劉剛)

## AUDIT COMMITTEE

Mr. Wu Chi Keung (胡志強) (*Chairman*)  
Mr. Zhang Yuezhou (張月周)  
Mr. Zhu Zhanbo (朱戰波)

## REMUNERATION COMMITTEE

Mr. Zhang Yuezhou (張月周) (*Chairman*)  
Mr. Zhu Zhanbo (朱戰波)  
Mr. Wu Chi Keung (胡志強)  
Mr. Zhao Hongliang (趙洪亮)

## NOMINATION COMMITTEE

Mr. Zhu Zhanbo (朱戰波) (*Chairman*)  
Mr. Wu Chi Keung (胡志強)  
Mr. Zhang Yuezhou (張月周)  
Mr. Fu Wenguo (付文國)

## INDEPENDENT AUDITOR

Ernst & Young

## PRINCIPLE BANKERS

Agricultural Development Bank of China  
Agricultural Bank of China  
China Construction Bank

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

## PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Qingxiang Street  
Kedong, Qiqihar  
Heilongjiang Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, 148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## LEGAL ADVISORS

*As to Hong Kong Laws*  
Chiu & Partners

*As to PRC Laws*  
Jingtian & Gongcheng

## STOCK CODE/BOARD LOTS

1431/1,000

## COMPANY'S WEBSITES

[www.ystdfarm.com](http://www.ystdfarm.com)  
[www.ystdairyfarm.com](http://www.ystdairyfarm.com)





# MANAGEMENT DISCUSSION AND ANALYSIS

---

## MARKET REVIEW

In the first half of 2017, the dairy industry in China still faced opportunities and challenges. The selling price of raw milk in China maintained a relatively low level as compared with the same period last year while imported raw milk continued to have some impact on domestic raw milk. Meanwhile, the raw milk market in China suffered seasonal excess production due to the increase in raw milk yield. Affected by the low selling price of raw milk, dairy farmers who suffered losses exited the market more quickly, and large-scale farms also started to restrain excessive production capacity by eliminating dairy cows with low capacity. On the other hand, the Ministry of Agriculture of China and the Dairy Association of China jointly released the “2017 Quality Report of Dairy Industry in China” which states that as China further improves its laws and standards on dairy products, the quality of dairy products in China will be greatly improved and the competitiveness of dairy farming companies in China will steadily increase.

As a leading dairy farming company in China, YuanShengTai Dairy Farm Limited (the “**Company**” or “**YuanShengTai**”), together with its subsidiaries (collectively, the “**Group**”) will continue to maintain its commitment to a large-scale, diversified and intensive development strategy. The Group, on the one hand, has reduced its total milk yield to alleviate its sales pressure and control its production cost by adjusting the cattle mix and improving the feeding formula and on the other hand, is seeking for diversified business development opportunities to create more sources of income.

## BUSINESS REVIEW

In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in China. For the six months ended 30 June 2017 (the “**Period**”), the total sales of raw milk of the Group remained relatively stable at 128,067 tons as compared to the same period of 2016. Due to further decrease in domestic milk prices, the total revenue of the Group during the Period amounted to RMB492.5 million, representing a slight decrease as compared to the same period last year. The gross profit during the Period dropped by 25.4% from RMB176.4 million to RMB131.7 million. The net loss during the Period was RMB17.2 million (first half of 2016: RMB135.6 million).

Since its establishment, the Group has established and maintained long-term relationships with China’s leading dairy manufacturers. In the first half of 2017, the top four customers of the Company were Feihe Dairy Group, Mengniu Group, Yili Group and Bright Dairy Group and they accounted for 99.95% of the Group’s revenue.

Facing the increasing competition in the international raw milk market, the raw milk industry in China is under enormous sales pressure. In order to improve its sales performance, on 12 May 2017, the Group entered into a new Feihe master agreement with China Feihe Limited, a member of Feihe Dairy Group, to confirm the priority arrangement of the Group’s supply of raw milk to Feihe Dairy Group for a term ending on 31 December 2019 and such transaction has been approved by the independent shareholders of the Company at the special general meeting held on 17 July 2017. Please refer to the announcements of the Company dated 12 May 2017, 5 June 2017, and 17 July 2017 and a circular of the Company dated 30 June 2017. It is expected that in the long term, continuing supply of raw milk products to the Feihe Dairy Group will further enhance the stability of the Group’s customer base and ensure future demand for the Group’s raw milk product.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Construction of Farms

As of 30 June 2017, we had six farms in Heilongjiang Province and one farm in Jilin Province. Each farm had an actual capacity ranging from 6,000 to 18,000 dairy cows, and the total site area of the seven farms amounted to approximately 5,909,000 square metres. At the same time, the construction of Keshan Farm has been half-completed, which now raised 6,205 heifers and calves.

	<b>Actual Designed Capacity (Number of Cows/Head)</b>	<b>Actual Inventory Number</b>	<b>Area (m<sup>2</sup>)</b>
Gannan Oumei Farm	12,000	9,311	986,333
Kedong Oumei Farm	6,000	6,225	384,000
Kedong YST Farm	18,000	11,209	784,000
Zhenlai Farm Phase I	15,000	12,870	1,066,667
Kedong Yongjin Farm	12,000	6,856	714,000
Baiquan Ruixincheng Farm	15,000	3,460	994,000
Keshan Farm	12,000	6,205	980,000
Total	<b>90,000</b>	<b>56,136</b>	<b>5,909,000</b>

### Milk Yield

During the Period, the average annual milk yield per cow was 10.91 tons, representing an increase of 7.0% as compared to 10.2 tons in the same period of 2016. The Group adjusted the cattle mix and improved the feeding formula, in order to optimize the management and improve the profits.

### Size of Our Herds

Driven by the advanced management model of our farms, the number of dairy cows of the Group's seven dairy farms increased from 54,749 as of 31 December 2016 to 56,136 as of 30 June 2017. The total number of our matured milkable cows increased from 26,689 as of 31 December 2016 to 27,259 as of 30 June 2017. The increase in number of matured milkable cows ensured our steady source of quality raw milk.

	<b>30 June 2017</b>	31 December 2016
Number of matured milkable cows	<b>27,259</b>	26,689
Number of heifers and calves	<b>28,877</b>	28,060
Total number of dairy cows	<b>56,136</b>	54,749



## MANAGEMENT DISCUSSION AND ANALYSIS

### Price of Raw Milk

The price of domestic raw milk remained low due to continuous increase in imported milk powder, the over-supply in the upstream market and the impact of global economic environment. During the Period, despite the unfavorable operating environment, the Group still managed to sell raw milk at a price higher than the market average price. The average selling price of our raw milk was RMB3,845 per ton for the Period, representing a decrease of 4% as compared to that in the same period of last year.

### OUTLOOK

Based on the current market conditions, it is estimated that the consumption for liquid milk in 2017 will reach 37.28 million tons. On consumptions, China market is now in the stage of consumption upgrading. The consumption from first- and second-tier cities is almost at full capacity, while the consumption from third- and fourth-tier cities will be the main driving force for needs. With the improving consumption power of the residents in the PRC, as well as their consumption habits for dairy products gradually becoming mature, the consumption will continue to grow. In addition, with overall liberalization for China's two-child policy, the new population is expected to grow nearly 2-3 million each year, which will increase the demand for infant formula milk powder. As a result, the overall consumption for dairy products in China will maintain an uprising momentum in the next few years, and our business will strive to achieve profit growth in this good environment.

### OUR REVENUE

During the Period, our total sales of milk produced decreased by 4.3% to RMB492.5 million as compared with RMB514.4 million in the first half of 2016. The decrease of total sales was mainly due to a decrease in the price of domestic raw milk. The average selling price of our raw milk dropped to RMB3,845 per ton compared with RMB4,005 per ton in the first half of 2016, representing a decrease of 4.0%. The sales volume reached 128,067 tons, representing a decrease of 372 tons as compared with 128,439 tons in the first half of 2016.

### COST OF SALES

Our cost of sales for the Period was RMB360.8 million. The table below summarizes the components of our cost of sales by nature for the six months ended 30 June 2017 and 2016:

	Six-month period ended 30 June 2017 RMB'000	Six-month period ended 30 June 2016 RMB'000
Cost of sales		
Feed	262,161	249,708
Salary, welfare and social insurance	25,368	23,273
Depreciation	26,751	22,055
Veterinary cost	19,090	12,705
Other cost	27,409	30,194
Cost of sales, total	360,779	337,935

## MANAGEMENT DISCUSSION AND ANALYSIS

Feed costs represent the feed consumed by our milkable cows. The feed costs for milkable cows were RMB262.2 million and RMB249.7 million for the six-month periods ended 30 June 2017 and 2016, respectively, representing 72.7% and 73.9% of the cost of sales for the respective six-month periods ended 30 June 2017 and 2016. The increase in our feed costs was attributable to the increase in feed prices and our efforts to optimise the feeding formulas.

### GROSS PROFIT

Resulted from the factors discussed above, the gross profit decreased to RMB131.7 million for the Period (the same period in 2016: RMB176.4 million), representing a decrease of 25.4%. Our gross profit margin decreased from 34.3% for the six-month period ended 30 June 2016 to 26.7% for the Period.

### OTHER INCOME

	<b>Six-month period ended 30 June 2017 RMB'000</b>	Six-month period ended 30 June 2016 RMB'000
Other income		
Government subsidies	2,694	356
Interest income from bank deposit	9,564	1,096
Sales of male calves	6,445	2,759
Sales of milk powder	6,033	820
Others	2,759	616
Other income, total	<b>27,495</b>	5,647

Other income for the six-month periods ended 30 June 2017 and 2016 amounted to RMB27.5 million and RMB5.6 million, respectively, representing an increase of 386.9%.

### SELLING AND DISTRIBUTION EXPENSES

All of the Group's selling and distribution expenses were transportation expenses of the Group's raw milk. Our selling and distribution costs were RMB9.5 million for the Period (the same period in 2016: RMB9.0 million). The increase was mainly due to more sales in the Period made to customers located farther to our farms.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ADMINISTRATIVE EXPENSES

The table below summarizes the components of our administrative expenses:

	Six-month period ended 30 June 2017 RMB'000	Six-month period ended 30 June 2016 RMB'000
Administrative expenses		
Salaries and welfare	12,106	15,987
Amortization	3,227	2,623
Travel, meal and entertainment	3,057	3,133
Professional fee	4,441	2,524
Depreciation	500	410
Insurance	3,423	3,483
Write-down of inventories to net realisable value	641	18,954
Other expenses	3,097	5,743
Administrative expenses, total	30,492	52,857

We incurred administrative expenses of RMB30.5 million for the Period (for the first half of 2016: RMB52.9 million), representing a decrease of approximately 42.3% as compared to the same period of 2016. The decrease was mainly attributable to the decrease of the write-down of inventories to net realisable value occurred in the Period.

### OTHER EXPENSES

	Six-month period ended 30 June 2017 RMB'000	Six-month period ended 30 June 2016 RMB'000
Disposal of cow dung	13,478	–
Loss on disposal of items of property, plant and equipment	149	–
	13,627	–

### LOSS OF THE GROUP FOR THE PERIOD

Taking into account all the above factors and another factor that a loss on changes in fair value less cost to the sale of biological assets of RMB122.7 million was incurred in the Period (for the first half year of 2016: loss of RMB255.7 million) principally due to the drop in price of domestic raw milk, the Group's net loss for the Period was RMB17.2 million, as compared to a net loss of RMB135.6 million for the period ended 30 June 2016. Basic loss per share was approximately RMB0.4 cent for the Period (for the same period of 2016: basic loss per share of RMB3.5 cents).

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the Period (30 June 2016: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by a resolution in writing passed by the then shareholders of the Company (the “**Shareholders**”) on 7 November 2013.

Under the Share Option Scheme, the Directors may grant share options (the “**Options**”) to subscribe for ordinary shares of the Company of HK\$0.01 each (the “**Shares**”) to eligible participants, including without limitation employees of the Group as well as directors of the Company and its subsidiaries. Options comprising a total of 148,850,000 underlying Shares were granted under the Share Option Scheme to certain employees of the Group and the Directors on 22 August 2014 (the “**First Grant Date**”) and 8 December 2015 (the “**Second Grant Date**”), respectively.

Details of the movements of the Options during the Period are as follows:

Grantees	Number of underlying Shares comprised in Options						Exercise price per Share HK\$	Grant Date	Validity period of the Options
	Outstanding as at 01.01.2017	Granted during the Period	Cancelled during the Period	Lapsed during the Period	Exercise during the Period	Outstanding as at 30.06.2017			
<b>Directors</b>									
Mr. Zhao Hongliang	6,500,000	-	-	-	-	6,500,000	1.462	22.08.2014	Note 1
	3,900,000	-	-	-	-	3,900,000	0.59	08.12.2015	Note 2
Mr. Wang Shaogang	3,500,000	-	-	-	-	3,500,000	1.462	22.08.2014	Note 1
	6,000,000	-	-	-	-	6,000,000	0.59	08.12.2015	Note 2
Mr. Fu Wenguo	5,000,000	-	-	-	-	5,000,000	1.462	22.08.2014	Note 1
	10,000,000	-	-	-	-	10,000,000	0.59	08.12.2015	Note 2
Mr. Chen Xiangqing	1,500,000	-	-	-	-	1,500,000	1.462	22.08.2014	Note 1
	4,000,000	-	-	-	-	4,000,000	0.59	08.12.2015	Note 2
Mr. Wu Chi Keung	200,000	-	-	-	-	200,000	1.462	22.08.2014	Note 1
	300,000	-	-	-	-	300,000	0.59	08.12.2015	Note 2
<b>Senior management members</b>									
Mr. Wang Yongxin	2,000,000	-	-	-	-	2,000,000	1.462	22.08.2014	Note 1
	4,000,000	-	-	-	-	4,000,000	0.59	08.12.2015	Note 2
Mr. Xue Dejiang	250,000	-	-	-	-	250,000	1.462	22.08.2014	Note 1
<b>Former senior management member</b>									
Mr. Luo Qinghua (note 3)	2,000,000	-	2,000,000	-	-	-	1.462	22.08.2014	Note 1
	4,000,000	-	4,000,000	-	-	-	0.59	08.12.2015	Note 2
<b>Employees (in aggregate)</b>	26,100,000	-	1,300,000	-	-	24,800,000	1.462	22.08.2014	Note 1
	65,600,000	-	2,300,000	-	-	63,300,000	0.59	08.12.2015	Note 2



## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

1. The validity period of the Options shall expire on the 7th anniversary of the First Grant Date or the earlier determination of the Share Option Scheme. The respective exercise dates are as follows:  
  
Tranche I: beginning on the 1st anniversary of the First Grant Date: 30% of such Options granted;  
  
Tranche II: beginning on the 2nd anniversary of the First Grant Date: 30% of such Options granted; and  
  
Tranche III: beginning on the 3rd anniversary of the First Grant Date: 40% of such Options granted.
2. The validity period of the Options shall expire on the 7th anniversary of the Second Grant Date or the earlier determination of the Share Option Scheme. The respective exercise dates are as follows:  
  
Tranche I: beginning on the 1st anniversary of the Second Grant Date: 30% of such Options granted;  
  
Tranche II: beginning on the 2nd anniversary of the Second Grant Date: 30% of such Options granted; and  
  
Tranche III: beginning on the 3rd anniversary of the Second Grant Date: 40% of such Options granted.
3. Mr. Luo Qianghua resigned as the deputy technical manager of the Group with effect from 1 June 2017 and the Options were cancelled.

### LIQUIDITY AND FINANCIAL RESOURCES

For the Period, the Group's net cash inflow from operating activities amounted to RMB255.3 million, as compared to RMB198.9 million for the first half of 2016.

The Company did not have any bank borrowings during the Period.

### CAPITAL STRUCTURE

As at 30 June 2017, the Company's issued share capital was HK\$46,904,964 divided into 4,690,496,400 Shares. The Company issued 781,749,400 new Shares at a price of HK\$0.5 per Share during the Period pursuant to a placing of Shares completed on 13 January 2017. The net proceeds were intended to be used for importing heifers and calves from Australia and New Zealand and general working capital.

### SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Period, the principal capital expenditures of the Group were related to construction of new farms and major maintenance and acquisition of additional equipment for its existing dairy farms.

As part of the Group's future strategies, the Group's planned capital expenditures for its business operations will primarily be related to the construction and commencement of operations of its new dairy farms. The Group anticipates that its capital expenditures will be financed by cash generated from its operations, debt financing or bank loans, the net proceeds from the placing of new Shares under Shareholders' annual general mandate and the unutilized net proceeds from the issue of new Shares under the global offering as set out in the prospectus of the Company dated 14 November 2013 (the "**Prospectus**").

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The issued Shares first became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 November 2013. Gross proceeds raised from the global offering in such connection amounted to about HK\$3,298 million, and the net proceeds (after deduction of listing expenses and underwriting commissions, and excluding offer proceeds which were payable to selling shareholders (i.e. not receivable by the Company)) amounted to about HK\$2,564 million. As of 30 June 2017, such net proceeds were spent broadly in accordance with the Company’s plan as disclosed in the Prospectus, of which an aggregate of HK\$1,850.1 million on construction of new farms, an aggregate of HK\$256.4 million on working capital and general corporate purpose, and an aggregate of HK\$36.8 million on development of upstream operations. The remaining balance was kept in banks and approved financial institutions in Hong Kong and the PRC.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries.

### PLEDGE OF ASSETS

As at 30 June 2017, no property, plant and equipment of the Group (31 December 2016: nil) were pledged as security for bank borrowings.

### FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies such as United States dollar and Hong Kong dollar. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management.

### TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements.

### CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments of the Group as at 30 June 2017 were RMB119.6 million, which were for construction of our new farms and renewal of existing facilities. The Group did not have any significant contingent liabilities as at 30 June 2017.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 1,394 employees (31 December 2016: approximately 1,380 employees), all of whom are located in the PRC. The remuneration and staff cost for the Period were RMB37.5 million (for the six-month period ended 30 June 2016: RMB39.3 million).

The salaries of the Group’s employees largely depend on their type and level of work as well as their length of service with the Group. They receive social welfare benefits and other benefits including social insurance. As required by the PRC regulations on social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities, which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. In addition, the Group has opened its housing funds accounts and started contributions to housing funds since April 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The remuneration committee of the Board (the “**Remuneration Committee**”) regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

Further, the Remuneration Committee reviews and recommends to the Board for consideration and approval the remuneration and compensation packages of the Directors and senior management by reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

### EVENT AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the Period and up to the date of this report.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

<u>Date of completion</u>	<u>Fund raising activity</u>	<u>Net proceeds raised</u>	<u>Reasons for fund raising and use of net proceeds</u>	<u>Closing price of last trading date</u>
13 January 2017	Placing of 781,749,400 new ordinary Shares at HK\$0.50 each to not less than six independent third parties under general mandate	approximately HK\$385.0 million	All the net proceeds are intended to be used for importing heifers and calves from Australia and New Zealand and general working capital	HK\$0.54

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Period and up to the date of this report except for code provision A.6.7 of the CG Code that the non-executive Director was unable to attend the annual general meeting and the special general meeting held on 26 June 2017 and 17 July 2017, respectively due to other engagements. To mitigate the above, general meetings in the future would be scheduled earlier to avoid timetable clashes.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to specific enquiries made by the Company, all Directors confirmed that they had complied with the Model Code during the Period.

## REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code, which was revised on 14 December 2015. The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Wu Chi Keung (committee chairman), Mr. Zhang Yuezhou and Mr. Zhu Zhanbo. The Company's unaudited condensed consolidated interim results for the Period and this interim report have been reviewed by the Audit Committee. The Company's independent auditor, Ernst & Young, has also reviewed such unaudited condensed consolidated financial results. The report on review of interim condensed consolidated financial statements is included on page 15 of this interim report.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### Long Positions in the Shares

Name of Directors/ Chief Executive	Capacity/ Nature of interest	Number of Shares held	Number of underlying Shares held		Approximate percentage of issued Shares
				Total	
Mr. Zhao Hongliang (Note 1)	(i) Interest in a controlled corporation and beneficial owner	1,150,900,000	10,400,000	1,161,300,000	24.76%
	(ii) Deemed interest under S.317 of the SFO	170,200,000	–	170,200,000	3.63%
	Total	1,321,100,000	10,400,000	1,331,500,000	28.39%
Mr. Wang Shaogang (Note 2)	Beneficial owner	–	9,500,000	9,500,000	0.20%
Mr. Chen Xiangqing (Note 2)	Beneficial owner	–	5,500,000	5,500,000	0.12%
Mr. Fu Wenguo (Note 2)	Beneficial owner	–	15,000,000	15,000,000	0.32%
Mr. Wu Chi Keung (Note 2)	Beneficial owner	–	500,000	500,000	0.01%

#### Notes:

- 1,150,900,000 Shares were beneficially owned by ZHL Asia Limited which is solely owned by Mr. Zhao Hongliang, an executive Director and the chairman of the Board (the "Chairman"). Therefore, Mr. Zhao Hongliang is deemed or taken to be interested in all the Shares beneficially owned by ZHL Asia Limited by virtue of the SFO.

Options were granted to Mr. Zhao Hongliang on 22 August 2014 and 8 December 2015 pursuant to the Share Option Scheme, which entitle him to subscribe for a total of 10,400,000 Shares upon his exercise of such options.

170,200,000 Shares were beneficially owned by ZHY Asia Limited which is solely owned by Mr. Zhao Hongyu, the brother of Mr. Zhao Hongliang.

ZHL Asia Limited, ZHY Asia Limited, Mr. Zhao Hongliang and Mr. Zhao Hongyu are parties acting in concert and on 29 October 2013, they entered into a deed to confirm, among others, their acting-in-concert agreement. As such, Mr. Zhao Hongliang was also deemed to have interests in the Shares beneficially owned by ZHY Asia Limited and Mr. Zhao Hongyu. Therefore, Mr. Zhao Hongliang was deemed to be interested in an aggregate of approximately 28.39% of the issued share capital of the Company.

- These represent the Shares to be issued and allotted by the Company upon exercise of the Options granted under the Share Option Scheme.

Save as disclosed above, as at 30 June 2017, none of the Directors and the chief executive of the Company had any interests or short positions in the shares of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Listing Rules.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2017, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons which had 5% or more interests in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

#### LONG POSITIONS AND SHORT POSITIONS IN THE SHARES

Name of Shareholders	Capacity/ Nature of interest	Number of Shares held	Number of underlying Shares held	Deemed interest pursuant to Section 317 of the SFO	Total	Approximate percentage of issued Shares
ZHL Asia Limited (Note 1)	Beneficial owner	1,150,900,000	–	180,600,000	1,331,500,000	28.39%
Mr. Zhao Hongliang (Note 1)	Interest in a controlled corporation and beneficial owner	1,150,900,000	10,400,000	170,200,000	1,331,500,000	28.39%
Ms. Li Shuxia (Note 2)	Interest of spouse	1,150,900,000	10,400,000	170,200,000	1,331,500,000	28.39%
ZHY Asia Limited (Note 1)	Beneficial owner	170,200,000	–	1,161,300,000	1,331,500,000	28.39%
Mr. Zhao Hongyu (Note 1)	Interest in controlled corporation	170,200,000	–	1,161,300,000	1,331,500,000	28.39%

*Notes:*

- Please refer to note 1 under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- Ms. Li Shuxia is the wife of Mr. Zhao Hongliang, an executive Director and the Chairman. Accordingly, Ms. Li Shuxia was deemed or taken to be interested in all the Shares in which Mr. Zhao Hongliang was interested and deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2017, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) had any interest or short position in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## To the board of directors of YuanShengTai Dairy Farm Limited

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 16 to 28, which comprise the condensed consolidated statement of financial position of YuanShengTai Dairy Farm Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

#### Ernst & Young

*Certified Public Accountants*

Hong Kong

25 August 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six-month period ended 30 June 2017

		Six-month period ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>REVENUE</b>		<b>492,457</b>	514,355
Cost of sales		<b>(360,779)</b>	(337,935)
Gross profit		<b>131,678</b>	176,420
Other income		<b>27,495</b>	5,647
Selling and distribution expenses		<b>(9,519)</b>	(9,049)
Administrative expenses		<b>(30,492)</b>	(52,857)
Other expenses		<b>(13,627)</b>	–
Changes in fair value less costs to sell of biological assets	8	<b>(122,714)</b>	(255,728)
<b>LOSS BEFORE TAX</b>	4	<b>(17,179)</b>	(135,567)
Income tax expense		–	–
<b>LOSS FOR THE PERIOD</b>		<b>(17,179)</b>	(135,567)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(19,198)</b>	948
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(36,377)</b>	(134,619)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (expressed in RMB per share)	6	<b>(0.004)</b>	(0.035)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	<i>Notes</i>	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,420,896	2,453,485
Prepaid land lease payments		93,125	96,732
Prepayments for property, plant and equipment		71,200	72,696
Biological assets	8	1,133,820	1,101,641
Total non-current assets		<b>3,719,041</b>	3,724,554
<b>CURRENT ASSETS</b>			
Inventories		203,412	316,622
Trade receivables	9	104,001	105,742
Prepayments and other receivables		122,318	20,807
Prepaid land lease payments		6,100	5,720
Cash and cash equivalents	10	1,210,779	870,134
Total current assets		<b>1,646,610</b>	1,319,025
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	144,469	185,113
Other payables and accruals	12	556,725	502,753
Total current liabilities		<b>701,194</b>	687,866
<b>NET CURRENT ASSETS</b>		<b>945,416</b>	631,159
<b>NET ASSETS</b>		<b>4,664,457</b>	4,355,713
<b>EQUITY</b>			
Issued capital	13	37,674	30,727
Reserves		4,626,783	4,324,986
Total equity		<b>4,664,457</b>	4,355,713

*Executive director*  
**Fu Wenguo**

*Executive director*  
**Chen Xiangqing**



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2017

	Attributable to owners of the Company							
	Issued capital	Merger reserve	Share premium	Capital reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	30,727	186,000	2,621,198	455,505	8,270	34,082	1,019,931	4,355,713
Loss for the period	-	-	-	-	-	-	(17,179)	(17,179)
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	(19,198)	-	-	(19,198)
Total comprehensive loss for the period	-	-	-	-	(19,198)	-	(17,179)	(36,377)
Issue of shares	6,947	-	335,174	-	-	-	-	342,121
Equity-settled share option arrangements	-	-	-	-	-	3,000	-	3,000
Transfer of share option reserve upon the expiry of share options	-	-	-	-	-	(1,216)	1,216	-
At 30 June 2017 (unaudited)	<b>37,674</b>	<b>186,000</b>	<b>2,956,372</b>	<b>455,505</b>	<b>(10,928)</b>	<b>35,866</b>	<b>1,003,968</b>	<b>4,664,457</b>
At 1 January 2016	30,727	186,000	2,621,198	455,505	3,400	16,135	1,107,167	4,420,132
Loss for the period	-	-	-	-	-	-	(135,567)	(135,567)
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	948	-	-	948
Total comprehensive (loss)/income for the period	-	-	-	-	948	-	(135,567)	(134,619)
Equity-settled share option arrangements	-	-	-	-	-	7,419	-	7,419
At 30 June 2016 (unaudited)	<b>30,727</b>	<b>186,000</b>	<b>2,621,198</b>	<b>455,505</b>	<b>4,348</b>	<b>23,554</b>	<b>971,600</b>	<b>4,292,932</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2017

		Six-month period ended 30 June	
Note	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	
	<b>255,329</b>	198,911	
	<b>(88,505)</b>	(130,639)	
	<b>(195,689)</b>	(143,577)	
	<b>30,899</b>	41,131	
	<b>4,460</b>	1,556	
	<b>(248,835)</b>	(231,529)	
	<b>342,121</b>	–	
	<b>348,615</b>	(32,618)	
	<b>278,460</b>	376,321	
	<b>(7,970)</b>	485	
	<b>619,105</b>	344,188	
10			

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 1. CORPORATE INFORMATION

YuanShengTai Dairy Farm Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and its registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

During the six-month period ended 30 June 2017, the Company and its subsidiaries (together, the “**Group**”) are principally engaged in the production and sale of raw milk in the People’s Republic of China (the “**PRC**”).

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of the amendments are described below:

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

### 2.2 New standards, interpretations and amendments adopted by the Group (continued)

#### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstance in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

#### **Annual Improvements 2014-2016 Cycle**

#### **Amendments to International Financial Reporting Standard ("IFRS") 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments did not have any impact on the Group.

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sale of raw milk. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 4. LOSS BEFORE TAX

	Six-month period ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Breeding costs to produce	262,161	249,708
Production costs for raw milk	98,618	88,227
Cost of sales	360,779	337,935
Depreciation	44,660	34,669
Recognition of prepaid land lease payments	3,227	3,113
Write-down of inventories to net realisable value	641	18,954

## 5. INTERIM DIVIDEND

No dividend was paid or proposed by the Company during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

## 6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount for the six-month period ended 30 June 2017 is based on the loss for the period attributable to ordinary equity holders of the parent of RMB17,179,000 (unaudited) (six-month period ended 30 June 2016: RMB135,567,000 (unaudited)) and the weighted average number of ordinary shares in issue of 4,638,668,000 (unaudited) (30 June 2016: 3,908,747,000 (unaudited)).

No adjustment has been made to the basic loss per share amounts for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil) in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 7. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group acquired property, plant and equipment of RMB15,266,000 (unaudited) (six-month period ended 30 June 2016: RMB126,559,000 (unaudited)). In addition, the Group disposed of certain property, plant and equipment with an aggregate net carrying amount of RMB3,195,000 (unaudited) (six-month period ended 30 June 2016: RMB839,000 (unaudited)), resulting in a loss on disposal of RMB149,000 (unaudited) (six-month period ended 30 June 2016: RMB167,000 (unaudited)).



## 8. BIOLOGICAL ASSETS

### A – Nature of activities

Dairy cows owned by the Group are primarily held to produce milk.

The quantity of dairy cows owned by the Group at 30 June 2017 and 31 December 2016 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held at 30 June 2017 and 31 December 2016 were dairy cows that have not had their first calves.

	<b>30 June 2017 (Unaudited) Heads</b>	31 December 2016 (Audited) Heads
Dairy cows		
Milkable cows	<b>27,259</b>	26,689
Heifers and calves	<b>28,877</b>	28,060
Total dairy cows	<b>56,136</b>	54,749

In general, the heifers are inseminated with semen when they reached approximately 13 months old. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days to 340 days before an approximately 55 days' dry period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of the Group's principal activities and the proceeds are not included as revenue.

### B – Value of dairy cows

The value of dairy cows at the end of the period/year was:

	<b>30 June 2017 (Unaudited) Heads</b>	31 December 2016 (Audited) Heads
Dairy cows	<b>1,133,820</b>	1,101,641

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 8. BIOLOGICAL ASSETS (continued)

### B – Value of dairy cows (continued)

	<b>Heifers and calves</b>	<b>Milkable cows</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	502,449	748,980	1,251,429
Increase due to raising (feeding costs and others)	290,037	–	290,037
Increase due to purchase	27,024	–	27,024
Transfer (out)/in	(303,205)	303,205	–
Decrease due to sales	(8,260)	(51,536)	(59,796)
Loss arising from changes in fair value less costs to sell	(61,374)	(345,679)	(407,053)
Balance as at 31 December 2016 and 1 January 2017 (audited)	446,671	654,970	1,101,641
Increase due to raising (feeding costs and others)	<b>161,854</b>	–	<b>161,854</b>
Increase due to purchase	<b>33,836</b>	–	<b>33,836</b>
Transfer (out)/in	<b>(120,498)</b>	<b>120,498</b>	–
Decrease due to sales	<b>(18,908)</b>	<b>(21,889)</b>	<b>(40,797)</b>
Loss arising from changes in fair value less costs to sell	<b>(4,764)</b>	<b>(117,950)</b>	<b>(122,714)</b>
Balance as at 30 June 2017 (unaudited)	<b>498,191</b>	<b>635,629</b>	<b>1,133,820</b>

### C – Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's biological assets:

	<b>Fair value measurement using significant unobservable inputs (Level 3) RMB'000</b>
As at 30 June 2017 (unaudited)	<b>1,133,820</b>
As at 31 December 2016 (audited)	1,101,641

## 8. BIOLOGICAL ASSETS (continued)

### C – Fair value hierarchy (continued)

Fair value of milk produced less costs to sell at the point of harvest is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2017 (Unaudited) RMB'000</b>	2016 (Unaudited) RMB'000
Fair value of milk produced less costs to sell	<b>482,938</b>	505,306

## 9. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of period/year, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Within 1 month	<b>61,053</b>	87,852
1 month to 2 months	<b>26,239</b>	17,890
Over 2 months	<b>16,709</b>	–
	<b>104,001</b>	105,742

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

No provision for impairment of trade receivables for the six-month period ended 30 June 2017 was made (six-month period ended 30 June 2016: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 10. CASH AND CASH EQUIVALENTS

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Cash and bank balances	<b>619,105</b>	276,382
Time deposits	<b>591,674</b>	593,752
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<b>1,210,779</b>	870,134
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(591,674)</b>	(591,674)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>619,105</b>	278,460

At 30 June 2017, the Group's cash and bank balances and time deposits denominated in RMB amounted to RMB867,526,000 (unaudited) (31 December 2016: RMB842,903,000 (audited)). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the period/year, based on the invoice date, is as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Within 2 months	<b>94,958</b>	138,425
2 to 6 months	<b>38,542</b>	37,136
6 to 12 months	<b>7,012</b>	5,354
Over 1 year	<b>3,957</b>	4,198
	<b>144,469</b>	185,113

Trade and bills payables are non-interest-bearing and are normally settled on terms of two to six months.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 12. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Deferred income	<b>172,593</b>	169,667
Other payables – construction	<b>126,876</b>	210,207
Other payables – equipment and materials	<b>12,580</b>	10,095
Advance from customers	<b>140,885</b>	96
Others	<b>103,791</b>	112,688
	<b>556,725</b>	502,753

The above amounts are non-interest-bearing and have no fixed terms of settlement.

## 13. ISSUED CAPITAL

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Authorised: 50,000,000,000 ordinary shares of HK\$0.01 each	<b>406,897</b>	406,897
Issued and fully paid: 4,690,496,000 (31 December 2016: 3,908,747,000) ordinary shares of HK\$0.01 each	<b>37,674</b>	30,727

On 13 January 2017, 781,749,000 ordinary shares were issued at a price of HK\$0.5 per share.

## 14. CAPITAL COMMITMENTS

The Group had the following commitments at the end of the period/year:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Contracted but not provided for: – Construction in progress	<b>119,563</b>	104,708

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

## 15. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with a related party during the period:

	Six-month period ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Purchases of feeds: Heilongjiang Dinghe Modern Agricultural Company Limited (note)	-	923

Note:

The sole beneficial owner of this entity is one major shareholder of the Company. The directors consider that the purchases of feeds were made according to the prices comparable to those offered to the major customers by the supplier.

- (b) Compensation of key management personnel of the Group is as follows:

	Six-month period ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Short term employee benefits	682	714
Equity-settled share option expense	1,278	3,195
Post-employment benefits	194	175
Total compensation paid to key management personnel	2,154	4,084

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

## 17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2017.